GOVERNMENT OF INDIA
CIVIL AVIATION
LOK SABHA

STARRED QUESTION NO:13
ANSWERED ON:23.07.2001
LOSSES TO AAI
SATYAVRAT CHATURVEDI;SUNDER LAL TIWARI

Will the Minister of CIVIL AVIATION be pleased to state:

(a) whether the Airports Authority of India (AAI)has incurred heavy losses according to the latest report of Comptroller & Auditor General as reported in the `Rashtriya Sahara` dated May 21, 2001;

(b) if so, the facts of the matter reported therein;

(c) the outstanding amount against the private airlines referred to in the above report; and

(d) the steps being taken by the Government to realise this amount from the said airlines?

Answer

THE MINISTER OF CIVIL AVIATION (SHRI SHARAD YADAV)

(a), (b), (c) & (d) :- A Statement in this regard is laid on the Table of the House.

STATEMENT IN REPLY TO PARTS (a), (b), (c) & (d) OF LOK SABHA STARRED QUESTION NO.13 FOR ANSWER ON 23/7/2 REGARDING LOSSES TO AAI.

(a), (b), (c) & (d) :- `Rashtriya Sahara` dated May, 21, 2001 has reported about two items
(i) loss to Airports Authority of India (AAI) due to faulty procedure of inviting bids and
(ii) loss to Indian Oil Corporation (IOC) due to faulty decision.As regards loss to IOCdue to faulty decision, the outstanding amount against the private airlines to IOC and the steps being taken by the Government to realise the amount, information is being collected from Ministry of Petroleum & Natural Gas. As regards loss to AAI, it is true that Comptroller and Auditor General, in its report has observed that the contracts for Duty Free Shopscould not be awarded to highest bidder due to Management`s lapse in inviting bids for running the Duty Free Shops departmentally without having expertise forthe same and obtaining financial bids in an erroneous manner from the existing parties for running the shops as a concessionaire in deviation from the terms of the original tender, and AAI had to forego a total revenue of Rs.168.75 crores upto June, 2000. The facts of the matter in this regard are as under:

In June 1995, AAI had invitedpre-qualification global tenders for selection of consultant/consolidators to assist the AAI to set up Duty Free Shopping Arcades in the additional areas identified at the five international airports of Delhi, Mumbai, Chennai, Kolkata and Thiruvananthapuram. In January, 1996 a Committee felt that AAI did not have sufficient experience in therunning of duty free shops. Therefore, the committee decided to select a concessionaire for running duty free shops and shortlisted four parties from the bids received. Accordingly in August, 1996, AAI asked those shortlisted parties to submit financial bids.They were asked to submit bids for setting up duty free shops not only in the additional area identified in the beginning at the five international airports but also in new Terminal-2C at Mumbai, which was under construction. In June 1996, broad terms and conditions were finalised. In August 1996, financial bids were received. M/s Lion City Holding, Singapore bid highest for Terminal-2C while M/s Weitnaur Switzerland bid highest for additional area. All the bidders were asked to match with the highest offer in respect of the two segments. M/s Lion City Holding, who had been ranked higher in the technical presentation offered to hike their offer to match with M/s Weitnaur and were, therefore, asked to revalidate their Earnest Money Deposit (EMD).M/s Lion City did not revalidate their EMD and therefore their offer got invalidated. It was also decided to delink Terminal-2C at Mumbai as it was still under construction and also to consider the offer of M/s Weitnaur.

2. While negotiating the contract terms with M/s Weitnaur, AAI noticed some legal infirmity in tender procedures i.e. the pre-qualification for tenders invited in 1995 were for consultant/consolidators to assist AAI, whereas the final proposed award was for concessionaire. In May, 1998 AAI took a decision to reject the tender due to this legal infirmity. If the tenders had been awarded, it would have led to legal complication and court cases.